



**LOS ANGELES COUNTY  
DEPARTMENT OF MENTAL HEALTH**

**MENTAL HEALTH SERVICES ACT  
SPECIAL NEEDS HOUSING PROGRAM**

**EXPRESSION OF INTEREST  
Released October 27, 2016**

**\$13.5 MILLION AVAILABLE FOR  
CAPITAL DEVELOPMENT ONLY**

**PRIORITY WILL BE GIVEN TO PROJECTS WITH A COMMITMENT OF FUNDING  
FROM COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS  
ANGELES AND/OR HOUSING AND COMMUNITY INVESTMENT DEPARTMENT  
LOS ANGELES**

# **MENTAL HEALTH SERVICES ACT SPECIAL NEEDS HOUSING PROGRAM**

## **SECTION 1: BACKGROUND**

The Mental Health Services Act ("MHSA") Special Needs Housing Program ("SNHP") is a loan product that was developed at the request of a number of counties by California Housing Finance Agency ("CalHFA") in collaboration with the California Behavioral Health Directors Association. The SNHP builds upon the highly successful MHSA Housing Program which was launched in August 2007 and ended May 2016. It allows counties to assign MHSA or other local funds to CalHFA for the development of new permanent supportive housing. Unallocated funds, interest and loan repayments from the MHSA Housing Program can also be transferred to the SNHP.

CalHFA administers the SNHP on behalf of the participating counties by providing loan underwriting, construction monitoring, and asset management services. The SNHP commenced in Los Angeles County on June 24, 2016 when the Board of Supervisors authorized the Los Angeles County Department of Mental Health ("DMH") to enter into a Participation Agreement with CalHFA. Under the Participation Agreement, DMH will offer capital development funding and Capitalized Operating Subsidy Reserves ("COSR") for the development of new permanent supportive housing targeting individuals with a mental illness and their families, who are homeless or chronically homeless.

Additional information regarding the MHSA Housing Program and the SNHP is available on CalHFA website: <http://www.calhfa.ca.gov/multifamily/mhsa/index.htm>.

## **Section II: NOTICE**

Through this Expression of Interest, DMH is seeking Letters of Interest ("LOIs") from eligible developers/borrowers ("Qualified Developers/Borrowers"), as defined in Section III below, to develop permanent, affordable rental-housing units, including shared housing, with supportive services for homeless or chronically homeless individuals with mental illnesses and their families. Approximately \$13.5 million will be made available for the acquisition, new construction and/or rehabilitation of permanent supportive housing with DMH seeking to fund approximately 135 additional units of permanent supportive housing as a result of this notice.

Priority will be given to projects that have a funding commitment from Community Development Commission of the County of Los Angeles and/or Housing and Community Investment Development Los Angeles.

The charts on the following page indicate the distribution of all current DMH MSHA Housing Program and Special Needs Housing Program investments in housing developments since 2007 along with the 2016 Homeless data by Service Area and Supervisorial District.

**MHSA & SPECIAL NEEDS HOUSING PROGRAMS**  
**Overview of Committed Funding**  
**As of October 6, 2016**

**Commitments by Supervisorial District**

<b>Supervisorial Districts</b>	<b>Number of Projects</b>	<b>Number of MHSA Units</b>	<b>Local Funding Commitments</b>	<b>Percentage of Total MHSA Funding Committed</b>	<b>2016 Homeless Count Data</b>
1	9	147	\$14,878,228	12%	19%
2	15	409	\$62,837,506	49%	33%
3	13	306	\$33,167,425	26%	23%
4	5	90	\$10,959,813	9%	12%
5	4	38	\$4,800,521	4%	13%
	<b>46</b>	<b>990</b>	<b>\$126,643,493</b>	<b>100%</b>	<b>100%</b>

**Commitments by Service Area**

<b>Service Areas</b>	<b>Number of Projects</b>	<b>Number of MHSA Units</b>	<b>Local Funding Commitments</b>	<b>Percentage of Total MHSA Funding Committed</b>	<b>2016 Homeless Count Data</b>
1	1	12	\$2,143,371	2%	6%
2	10	228	\$24,498,983	19%	16%
3	1	10	\$1,000,000	1%	7%
4	14	375	\$51,874,170	41%	25%
5	3	44	\$4,823,442	4%	10%
6	8	169	\$24,889,396	20%	16%
7	4	62	\$6,454,318	5%	7%
8	5	90	\$10,959,813	8%	13%
	<b>46</b>	<b>990</b>	<b>\$126,643,493</b>	<b>100%</b>	<b>100%</b>

**DMH will accept Letters of Interest ("LOI") delivered beginning on October 27, 2016 and continuing until November 30, 2016 (the "Original Due Date").** The process for submitting LOIs is further described in Section VII of this document. All LOIs received on or before November 30, 2016 will be reviewed by the MHSA Housing Advisory Board meeting on December 8, 2016. It is anticipated that DMH will receive a sufficient number of LOIs for proposed permanent supportive housing developments by the Original Due Date to obligate the entire \$13.5 million available. However, if there are funds remaining, the Expression of Interest will remain open and DMH will accept LOIs received after the Original Due Date. Once the funds are exhausted, the Expression of Interest will close and no further LOIs will be accepted. All developments are subject to funding approval by CalHFA.

Each LOI will be examined to determine whether the proposed development meets the threshold eligibility criteria set forth in Section III, below. LOIs that meet the threshold criteria

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will then be reviewed based on the established funding principles and priorities as stated in Sections IV or V, below, depending on the type of development. Developments that do not fall within the funding priorities identified will be considered only if funding remains after reviewing developments that meet the stated priorities.

Each funded Qualified Developer/Borrower will be required to enter into a SNHP's Memorandum of Understanding ("MOU") with all development partners including DMH, developer, on-site service provider and property management company. The Qualified Developer/Borrower will be required to comply with DMH's data collection and reporting requirements stated in the MOU.

This Notice is not a competitive solicitation offered by the County of Los Angeles or DMH. Acceptance of a LOI by DMH is not a guarantee that DMH will support a particular application for SNHP funding or that funding will actually be received. DMH is not liable for costs incurred in the preparation of LOIs or any other responses to this Notice. DMH reserves the right to issue supplementary information or guidelines related to this Notice.

In accordance with the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, it is the policy of DMH to assure equal opportunity to all persons in the award and performance of any contract, without regard to race, color, sex, religion, national origin, ancestry, age, marital status, or disability.

### **SECTION III: THRESHOLD ELIGIBILITY CRITERIA FOR PARTICIPATION IN THE SNHP**

Qualified Developers/Borrowers must satisfy *all* of the following criteria:

1. Developments must serve (a) homeless or chronically homeless individuals with a mental illness, or (b) homeless or chronically homeless individuals with a mental illness and their families (collectively the "Target Population"). Developments may not discriminate against or exclude individuals who have barriers to housing including a history of poor credit, limited housing history, evictions, substance use, and criminal backgrounds.
2. Developments must serve DMH MHSA-eligible consumers with incomes that are lower than 30% of the Area Median Income. (Tenants will pay 30% of their income toward the rent.)
3. Individuals who will reside in SNHP-funded units must be (a) active DMH consumers who are using DMH's network of outpatient mental health service providers; (b) members of the Target Population, and (c) certified by DMH as eligible for such supportive housing. For shared housing developments, all units must also target DMH consumers who meet the requirements of subsections (a)-(c) of this subparagraph.
4. Rental subsidies connected to a SNHP-funded unit must primarily target individuals with a mental illness and, to the extent applicable, their families.
5. Developments must have an existing financial plan for the provision of onsite supportive services.
6. Developments must request no more than the maximum amount allowable per unit for capital development except as permitted by DMH in its sole discretion to encourage development in areas of the County with limited supportive housing or limited supportive housing targeting a particular population.

7. A Qualified Developer/Borrower must partner with a property management company that has experience in successfully providing property management services to individuals/families that were homeless and have a mental illness in at least five housing developments for a minimum of five consecutive years. If a property management company with the required experience is not identified prior to the submission of the project to the CalHFA loan committee, DMH will direct CalHFA to make a conditional approval pending receipt of this information. This information must be submitted no later than 180 days prior to occupancy. Otherwise, DMH may rescind its funding commitment in its sole discretion.
8. A Qualified Developer/Borrower must partner with an onsite supportive services provider that has a record of successfully providing onsite supportive services to individuals and families that are homeless and have a mental illness for a minimum of five years within the last seven years. If a service provider with the required experience is not identified or does not receive DMH approval prior to the submission of the project to the CalHFA loan committee, DMH will direct CalHFA to make a conditional approval pending receipt of this information. This information must be submitted no later than 180 days prior to occupancy. Otherwise, DMH may rescind its funding commitment in its sole discretion.

**Additional Requirement For Rental Unit Projects Only:**

9. The Qualified Developer/Borrower must demonstrate evidence of a successful record of a minimum of two similar developments that are or have been in operation within the last seven years. The similar developments must have had development costs that are 75 percent or more of the development costs of the development that is the subject of the LOI and must have a history of serving homeless or chronically homeless individuals with a mental illness at time of submission of the LOI.

**Additional Requirements For Shared Housing Projects Only:**

10. The Qualified Developer/Borrower must demonstrate experience in both successfully developing and operating shared housing by evidence of at least two similar permanent supportive housing developments within the last five years.
11. The initial LOI may be submitted without identified/secured development sites. Once a development site is identified/secured, a revised LOI must be submitted to DMH for approval of the proposed sites prior to submitting the SNHP application to CalHFA.

**SECTION IV: FUNDING PRINCIPLES AND PRIORITIES FOR RENTAL UNITS:**

The following proposed rental unit developments will receive funding priority:

1. Developments that have the highest degree of readiness, which at a minimum, would include site control and a financial plan for all pre-development and construction costs, onsite supportive services, and permanent financing.

Note: Although the planning, zoning and other entitlements necessary to obtain a building permit, State and Federal environmental clearances as applicable, and Article XXXIV compliance will be considered, these due diligence issues will not disqualify the project for funding. However, these issues may be a determining factor when there are insufficient funds to accommodate the received requests for priority.

2. Developments that request less than the current maximum funding per unit (\$100,000 or less of capital development funding per unit).

Note: However, if a development is prioritized for this reason, the Qualified Developer/Borrower may not request additional funding later that will increase the original requested cost per unit.

3. Developments with an existing funding commitment for operating subsidies.

Note: Secondary consideration will be given to development proposals that have formally submitted applications for operating/rental subsidies that are pending approval by the local housing authority or other entity.

4. Developments with other funding commitments which equal no less than 50% of the total cost of the development —e.g., from the Homeless Initiative, from any of the 88 cities in Los Angeles County, and/or from local foundations, business organizations, and other local sources offering funding for supportive housing particularly, those proposals that demonstrate operating subsidies as a funding commitment provided the funding source's target population does not conflict with DMH's Target Population.
5. Developments that propose to serve DMH MHSA-eligible consumers who are chronically homeless will be prioritized over developments that propose to serve the same target population who are homeless.
6. Developments that further geographical diversity of permanent supportive housing for the Target Population throughout the County See Section VI below.
7. Developments that do not contribute to a net loss of affordable housing units through the displacement of moderate or low-income residents.

**SECTION V: FUNDING PRINCIPLES AND PRIORITIES FOR SHARED HOUSING:**

The following proposed shared housing developments will receive funding priority:

1. Developments that have the highest degree of readiness, which at a minimum, would include identification of proposed sites and a financial plan for all pre-development, construction costs, onsite supportive services and operating subsidies, and permanent financing.
2. Developments with other funding commitments which equal no less than 50% of the total cost of the development—e.g. through the NSP from any of the 88 cities in Los Angeles County, the Redevelopment Successor Agencies, and/or from local foundations, business organizations, and other local sources offering funding for supportive housing, particularly those proposals that demonstrate operating subsidies as a funding commitment provided the funding source's target population does not conflict with DMH's Target Population.
3. Developments that propose to serve DMH MHSA-eligible consumers who are chronically homeless over developments that propose to serve the same target population who are homeless.
4. Developments that further geographical diversity of permanent supportive housing for the Target Population throughout the County. See Section VI below.
5. Developments that do not contribute to a net loss of affordable housing units through the displacement of moderate or low-income residents.

6. Developments that have a preliminary list of house rules, plans for lockable kitchen storage including lockable refrigerator and personal storage areas, and home-sharing lease agreements at the time of the submission of the LOI.
7. Developments that are within one-half mile of other supportive services, public transportation, full service grocery stores, recreation, and other public amenities.
8. Developments that include architectural amenities such as air conditioning and/or ventilation.

## **SECTION VII: LOI SUBMISSION PROCESS**

1. For purposes of this Expression of Interest, the LOI shall consist of Attachments I and II hereto which must be completed in its entirety. (Attachments I and II which consists of the Letter of Interest (form), Letter of Interest Instructions, and Letter of Interest Checklist.) The LOI affords each developer/borrower an opportunity to provide a brief description of the proposed housing development, including but not limited to the following areas:
  - Target Population
  - Proposed Location of Project(s)
  - Housing Type & Number of Units
  - Required Experience of Qualified Developer/Borrower, and/or Developer, Property Management Company, and Onsite Supportive Services Provider
  - Roles & Responsibilities of Collaborative Partners
  - Leveraging Sources
  - Supportive Services Plan
2. **Interested parties must timely submit a fully completed original LOI for each proposed project in accordance with the deadlines in Section II: Notice, above. Please note there are separate LOI forms included in Attachments I and II for the shared housing and rental unit components of the MHSA SNHP.** Excluding a cover letter, the LOI shall not exceed 14 pages including the attached four (4) page LOI document and 10 additional pages if necessary, single-spaced with one (1) inch margins and using font of Arial 12.
3. Incomplete LOIs and/or LOIs that are not consistent with program guidelines, as determined solely at the discretion of DMH, will be rejected. If a LOI is rejected, the respondent may resubmit the LOI. If the resubmitted LOI is received prior to the Original Due Date, it will be reviewed at the December 8, 2016 MHSA Housing Advisory Board meeting. If it is submitted after the Original Due Date, it will only be reviewed if there are remaining funds.
4. All LOIs must be **delivered** to:

Reina Turner, Division Chief  
Los Angeles County Department of Mental Health  
Housing Policy and Development  
695 South Vermont Avenue, 10<sup>th</sup> Floor  
Los Angeles, California 90005

LOIs may be delivered between the hours of 7:00 a.m. and 5:00 p.m., Monday through Friday, except for Holidays. If LOIs are submitted by mail, the sender bears the risk of non-receipt.

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5. DMH will post this notice on its website, [www.dmh.lacounty.gov](http://www.dmh.lacounty.gov) on October 27, 2016. Any amendments to this notice will be posted on the website as indicated above. Questions regarding this notice or any future amendments should be directed to Reina Turner at (213) 251-6558 or at [rturner@dmh.lacounty.gov](mailto:rturner@dmh.lacounty.gov).

## **SECTION VIII: REVIEW AND CALHFA UNIVERSAL APPLICATION PROCESS**

1. The MHSA Housing Advisory Board ("Advisory Board") will review LOIs to ensure that the threshold eligibility criteria for Qualified Developers/Borrowers is met and applying the funding principles and priorities set forth above. Typically, the Advisory Board will review LOIs received by the last Wednesday of each month during its next regularly-scheduled meeting, which is typically held the first Thursday of each month. If the Advisory Board is unable to review all of the LOIs timely submitted prior to the Original Due Date because of the number received, those LOIs that could not be reviewed at that meeting will be reviewed at the next scheduled or called meeting. The Advisory Board will determine whether the LOI is consistent with the requirements set forth in this or any future amendments to this public notification.

As set forth in Section II: Notice, above, all LOIs submitted on or before November 30, 2016 will be reviewed on December 8, 2016. It is anticipated that the Department will receive a sufficient number of proposals during this period to obligate the entire \$13.5 million available. However, if there are funds remaining, the Expression of Interest will remain open and DMH will accept LOIs received after the Original Due Date. Once the funds are exhausted, the Expression of Interest will close and no further LOIs will be accepted.

2. DMH will notify the Development Sponsor of the results of the review of the proposal. If the proposed development is recommended for funding— rental or shared housing, DMH will invite the Qualified Developer/Borrower to further explore the housing development concept and the supportive services plan in collaboration with DMH. Through a sequence of meetings, DMH, in conjunction with the Qualified Developer/Borrower sponsor will finalize the development concept. DMH will review and, if appropriate in its sole discretion, approve the supportive services plan submitted for the development. DMH will provide a written format for the supportive services plan for rental and shared housing developments.

DMH will invite the Qualified Developer/Borrower to submit the SNHP's Universal Application to CalHFA for approval. In the required documentation, the Director of Mental Health will sign Attachment A and Attachment B-1 acknowledging DMH support of the housing development and a commitment to ensure that individuals housed in units funded through the SNHP will, at the time of move, be certified as an eligible candidate for residency. Qualified Developer/Borrowers are advised to follow the instructions as stated on CalHFA's website regarding the submission of the SNHP application.

CalHFA has set January 3, 2017 as the deadline to accept SNHP's Universal Applications to be considered for the March 1, 2017 tax credit round. To expedite the approval process, the SNHP's universal application may be submitted along with the other required documents to CalHFA by the January 3, 2017 deadline without the approved supportive services plan, if necessary. In any case, the approved supportive services plan must be submitted to CalHFA prior to loan closing.



CalHFA will review the SNHP universal application and will approve or deny the loan request. Developments must have an existing funding commitment for rental subsidies prior to being presented to CalHFA's loan committee to receive an unconditional approval. Developments without a commitment will receive a conditional approval by the loan CalHFA committee pending a confirmed commitment of rental subsidies.

NOTE: All responses are subject to verification. Your agency may be required to provide additional documentation to substantiate your agency's responses.